SI. No.	State	No. of AEZs	Product
12.	Orissa	1	Ginger and Turmeric
13.	Punjab	3	Vegetables, Potatoes, Basmati Rice
14.	Sikkim	2	Flowers (Orchids) and Cherry Pepper, Ginger
15.	Tamil Nadu	3	Flowers (Dharmapuri), Mangoes, Flower (Nilgiri District)
16.	Tripura	1	Pineapple
17.	Uttar Pradesh	4	Potatoes, Mangoes and Vegetables, Mango, Basmati Rice
18.	Uttaranchal	4	Lychee, Flowers, Basmati Rice, Medicinal and Aromatic Plants
19.	West Bengal	5	Pineapple, Lychee, Potatoes, Mango, Vegetables
	TOTAL:	48	

Treating bank guarantees at par with Letter of Credit

1509. SHRI HARISH RAWAT: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether DGFT is not following the Reserve Bank of India's directives with respect to treatment of Bank Guarantees on similar lines with Letter of Credit for extending benefits under the DEPB scheme;

(b) whether DGFT is aware of the explicit opinion expressed by the Reserve Bank of India v*ide* its letter dated 25th April, 2003 wherein it has expressed its position that "For the purpose of

extending benefits, no distinction may be made between bank guarantee and Letter of Credit as both are treated as securities for receivables";

(c) the reasons for DGFT ignoring Reserve Bank of India directives; and

(d) the steps being taken to implement the same?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI SATYABRATA MOOKHERJEE): (a) to (d) As per the provision of para 4.44 of the Handbook of Procedures, Vol. I, DEPB shall be issued with transferable endorsement in case of the applicant where shipments are made against irrevocable Letter of Credit (L/C) certificate by the bank in the relevant bank certificate of exports. On a representation received for accepting irrevocable bank guarantee in place of Letter of Credit, the issue was referred to Reserve Bank of India who advised that a bank guarantee is issued by a bank in favour of a beneficiary for the performance of certain acts by the customer of the bank in the form of a performance guarantee or a financial guarantee and is general in nature and cannot replace Letter of Credit mechanism as detailed in ICC Uniform Customs and Practice for Documentary Credit (UCP 500). A Letter of Credit is always trade related and opened by the buyer of goods favouring seller indicating the terms of the contract fulfilment of which enables the seller to receive payment from the bank in his country without waiting for the payment by buyer. A buyer may settle for a bank guarantee if he has confidence in the supplier.

For the purpose of extending benefits, however, no distinction may be made between bank guarantee and L/C, as both are treated as securities for receivables.

The advice of RBI was taken into consideration and it was decided not to modify or relax the existing provision since the irrevocable L/C is time tested and universally accepted in foreign trade.